

Program # 3

Portfolio Optimization: Comparative Journeys

David Whiteman,
SVP and Director of Corporate Services, HOK

Gene Bauchner,
VP Real Estate, WPP Group USA, Inc.

Julia Wilson,
SVP, Bank Of America

Amit Ramani,
Regional Executive, NELSON

Portfolio Optimization: Comparative Journeys

The Organizations

1. WPP – large, multi-branded, advertising and creative services
2. Bank of America – large, single branded, financial services

Portfolio Optimization: Comparative Journeys

Optimize

webster-dictionary.net

1. To make as **useful, effective, or functional** as possible; as, to **optimize** the speed of a computer program.
2. To **get the most out of**; to use to the best effect; to **exploit fully**; as, to **optimize** one's **return on investment**.

Portfolio Optimization: Comparative Journeys

Journey

webster-dictionary.net

1. The travel or **work of a day**.

*We have yet large day, for scarce the sun Hath finished half his **journey**.*
Milton

2. Travel or **passage** from **one place to another**, especially one covering a large **distance** or taking a long **time**.

*The good man . . . is gone a long **journey**.* Prov. vii. 19.

3. A passage through life, or a **passage** through any **significant experience**, or from **one state to another**.

*We must all have the same **journey's end**.* Bp. Stillingfleet



TORONTO
17-20 APRIL 2005



Portfolio Optimization: Comparative Journeys

Classic Journeys

The Odyssey

Quest for the Holy Grail

Lord of the Rings

Family Vacation

Abilene Paradox

Mission / Anticipated Outcome

Planning

Experiences / Encounters

Memories

Lessons



TORONTO
17-20 APRIL 2005



Portfolio Optimization: Comparative Journeys

Key Learning Points

1. How to identify the primary **optimization criteria** for your organization, and secure **executive endorsement** for your approach...
2. Why you need to optimize resources **beyond physical assets**...
3. Why **change management** strategy, effective **communication** and **measurement** are key success factors for any resource optimization effort...

Portfolio Optimization: Comparative Journeys

WPP Group USA, Inc.



WPP • Key Facts

- **WPP is one of the world's largest communication services groups**
- **Over 74,000 people (including associates) in over 1,400 offices in 106 countries worldwide**
- **Over 330 of the Fortune 500 and over 50% of the NASDAQ 100 as clients, more than 230 clients in all four disciplines, over 200 clients in six or more countries. Over 40 of the top 200 mega brands in the United States and 42 of the Fortune e-50**
- **Quoted in London and on NASDAQ with market capitalization of around \$13billion. Group includes many of the best known brands in the industry**

WPP has many of the best known brands in the industry, Ranked 1 or 2 in all sectors in which it competes

**Ogilvy & Mather Worldwide
JWT
Y&R Advertising
Red Cell
Grey Worldwide**

**MindShare
Mediaedge:CIA
MediaCom
KR Media
Maxus**

**Hill and Knowlton
Burson-Marsteller
Ogilvy Public Relations Worldwide
Cohn & Wolfe
Robinson, Lerer & Montgomery
GCI**

**Research International
Millward Brown
BrandAsset Valuator and BRANDZ**

**OgilvyOne
Wunderman
rmg:connect
141 Worldwide
Grey Direct/Gi/G2 Worldwide/J.Brown**

**CommonHealth
Sudler & Hennessey
Ogilvy Healthworld
Grey Healthcare Group**

**Enterprise IG
Landor Associates
Fitch**

Worldwide Advertising

#1 in 16 of 20 Global Markets

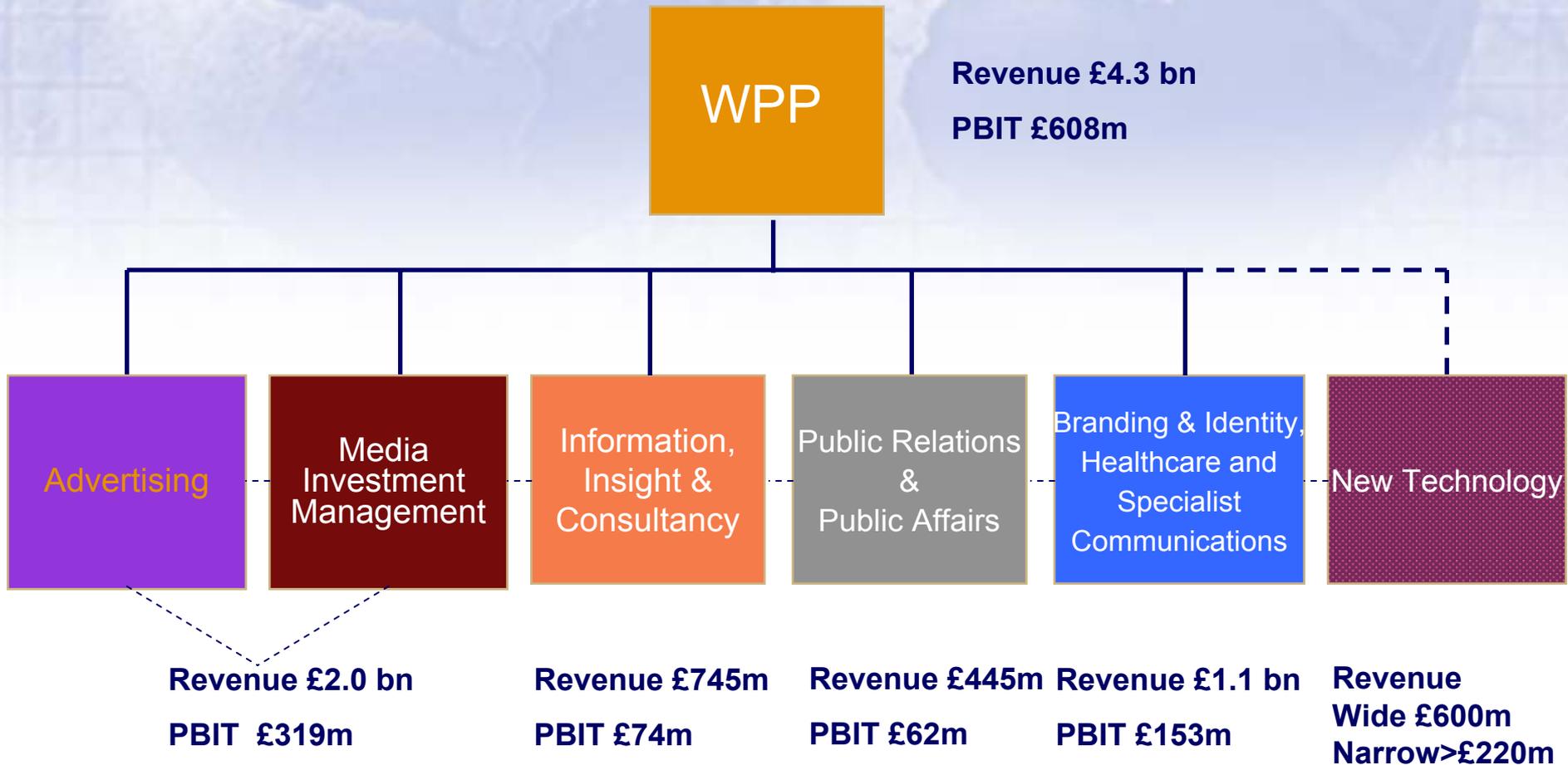
	<u>WPP</u> ⁽¹⁾	<u>OMC</u>	<u>IPG</u>	<u>Publicis</u>
Australia	1	2	4	3
Belgium	1	3	2	5
Brazil	1	4	2	3
France	4	1	5	3
Germany	1	2	3	4
Greater China	1	6	3	2
India	1	3	2	4
Italy	1	5	3	2
Japan	3	5	4	7
Mexico	1	3	2	4
Netherlands	2	1	4	3
Russia	2	1	4	3
Singapore	1	3	4	2
Spain	1	3	2	4
South Korea	1	3	6	5
Sweden	1	3	2	4
Switzerland	1	2	3	4
Taiwan	1	7	4	2
UK	1	2	5	3
USA	1	4	2	3

Source: Advertising Age, 22 April 2002

(1) Includes Cordiant acquired on 1 August 2003 and Grey acquired on 7 March 2005

(2) 100% of Associates' gross income has been included for each holding company where it has been separately identified in the rankings

WPP Today



Revenue and PBIT figures are 2004 reported sterling actuals

PBIT is stated before goodwill and impairment, fixed asset gains and investment write-downs

Portfolio Composition



- **Hi Tech – Perkin Elmer**
- **Manufacturing – United Technologies Corporation**
- **Service – WPP Group**

WPP Mission

**To develop and manage talent;
to apply that talent, throughout
the world, for the benefit of the
clients; to do so in partnership;
to do so with profit.**

Primary Objective

PRIMARY ASSETS ARE:

ELEVATOR MOBILE (go home at night)
50% WPP REVENUE – PEOPLE
10% WPP REVENUE – REAL ESTATE

PRIMARY REAL ESTATE OBJECTIVE:

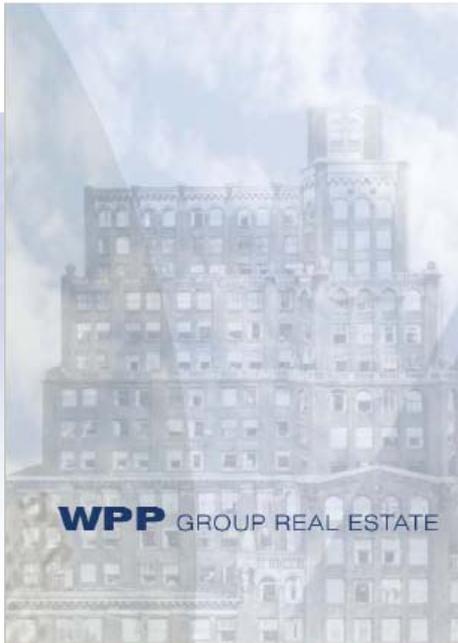
**LOCATE, DESIGN INTERIOR AND CONSTRUCT
SPACE THAT WILL *ATTRACT, MOTIVATE AND
RETAIN CREATIVE TALENT***

WPP Business Unit Criteria

- **Understand the culture**
- **Understand the business objective**
- **Understand and know the team players**
- **Understand the real estate drivers, agency, pr, research, media**

WPP Group Real Estate (GRE) Communication

- **GRE Clients – WPP Internal Business Units**
- **Formal Communication Program**
 - Brochure (Cushman & Wakefield)**
 - Space program**
 - WPP real estate policy**
 - Change management (HOK)**
 - Collocation management**
 - Big database – Portfolio**
 - Quarterly status report**
- **Communication**
 - Client “buy in” and cooperation**
 - Solicit GRE participation**



WPP GROUP REAL ESTATE

Serving the Needs of
WPP Group Companies

WHAT WE DO

For both acquisition and disposition projects, GRE and C&W will help you retain and coordinate the services of a team of professionals, available from WPP's preferred vendors for acquisition, disposition and lease restructuring, including: local leasing brokers, architects, engineers, project managers, contractors, construction managers and legal experts.

Strategic Planning		Business Initiatives Analysis Occupancy Analysis Market Analysis Plan Development
ACQUISITION	DISPOSITION	
<ul style="list-style-type: none"> ▼ Survey of market alternatives ▼ Selection of qualified facilities ▼ Technical review of candidates ▼ Preliminary space negotiations ▼ Final negotiations ▼ Design/build space & move in 	<ul style="list-style-type: none"> ▼ Confirm strategy ▼ Marketing ▼ Solicit offers ▼ Final negotiations ▼ Closing & follow-up 	
Lease Administration		

GRE / C&W Responsibilities

- ▼ Administration
- ▼ Design and Construction
- ▼ Financial Analysis
- ▼ Market Pricing
- ▼ Space Acquisition
- ▼ Space Disposition
- ▼ Strategic Planning



When you need to acquire or dispose of space, start with the Space Program. Available as a real estate reference on "Inside WPP.com", the Space Program is a step-by-step real estate process map covering all phases of a transaction, including: establishing criteria, gaining WPP approvals and final implementation of a real estate plan. You can call GRE or the C&W Account Director, your real estate professionals, to help to develop and implement your real estate plans.

When you have a question regarding your lease, call GRE's Lease Administrator who can be reached at 212.632.2322.

WPP uses C&W exclusively and they should be contacted for all of your real estate needs.

When you need to remodel space, call GRE to help establish the project parameters and to secure architects and other resources. GRE should be notified of all proposed transactions. Remodeling projects and any projects of more than US \$100,000 require WPP Group Real Estate and Group Finance approval.

C&W will assign a local broker from their staff in each market where WPP has an office. The local broker works in concert with the Account Director and will be your guide to the market.

If you have excess space, GRE can help evaluate the best method to reduce your excess space either by subleasing, negotiating buyouts with landlords or arranging for occupancy by other WPP entities.



WPP GROUP
REAL ESTATE



Going boldly: The space program mission

The Space Program provides the tools, route map and timeline to deliver cost-effective real estate solutions that:

- **Integrate people, space, technology and process**
- **Provide stimulating and efficient working environments that enhance productivity**
Harness innovative planning and design practice
- **Meet the needs of individual operating companies**
- **Assist in the planning and allocation of capital expenditure**
- **Achieve best practice in all real estate matters**
- **Manage and reduce total real estate costs**

Portfolio Strategy

- **COLLOCATION**

 - Diverse business units

- **ELIMINATE REDUNDANCY**

 - Server rooms

 - Telecommunications

 - Reception

 - Conference

 - Mail, copy, supply

 - SFS – shared financial services

- **CHICAGO**

 - 8 to 3 locations

 - 100,000 sf eliminated

 - Rent reduced from \$18 million to \$8 million per year

Metrics and Standards

METRICS

DENSITY – RSF/HC

180 to 220 RSF/HC

65 to 300 RSF/HC

TEC AS A % OF REVENUE

Objective : 7%

Actual: Down to 7.6%

REVENUE / RSF

OPEN PLAN

90/10 Ratio – w.s. to office

100% in newer locations

SUPPORT AREAS

Private modules

Café counters / bars

Lounges, meeting and relaxation

Touch down space

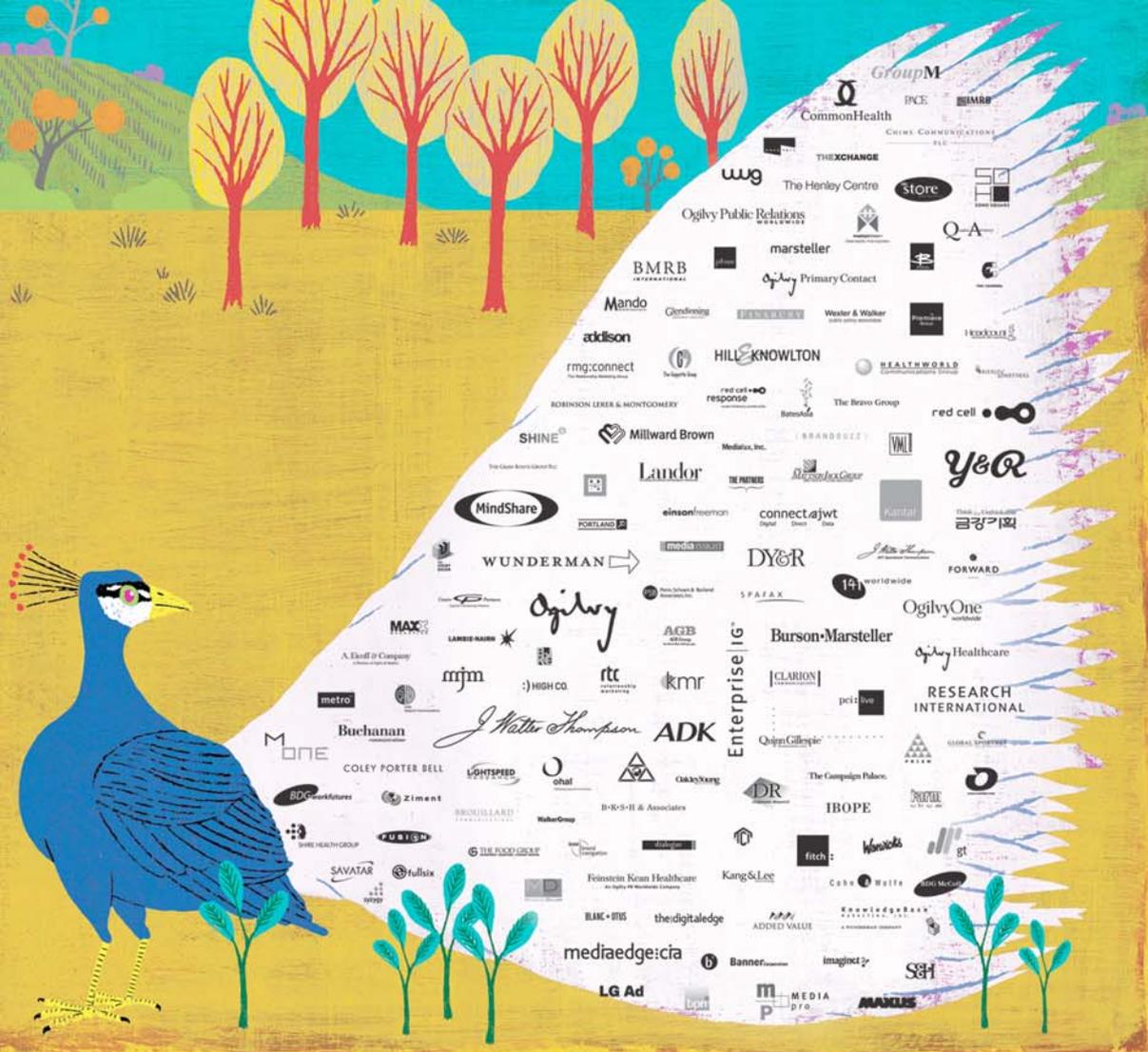
Conference presentation

Stress relief

Entertainment

Performance Measurements

- **PARTNERSHIP WITH CUSHMAN & WAKEFIELD**
Mutual
Annual stewardship report: Accomplishments – prior year goal
Alignment review
- **ONE AND THREE YEAR GOALS AND STRATEGY**
75% of RSF in North America in 10 cities
25% of RSF in North America in hundreds of other locations
10% Latam
- **GLOBAL CFO REQUIRES MEASURABLE RESULTS**
Margin improvements
7% Ratio – T.E.C.
P & L Impact



WPP Americas

REAL ESTATE STEWARDSHIP REPORT

YEAR 2004



Table of Contents



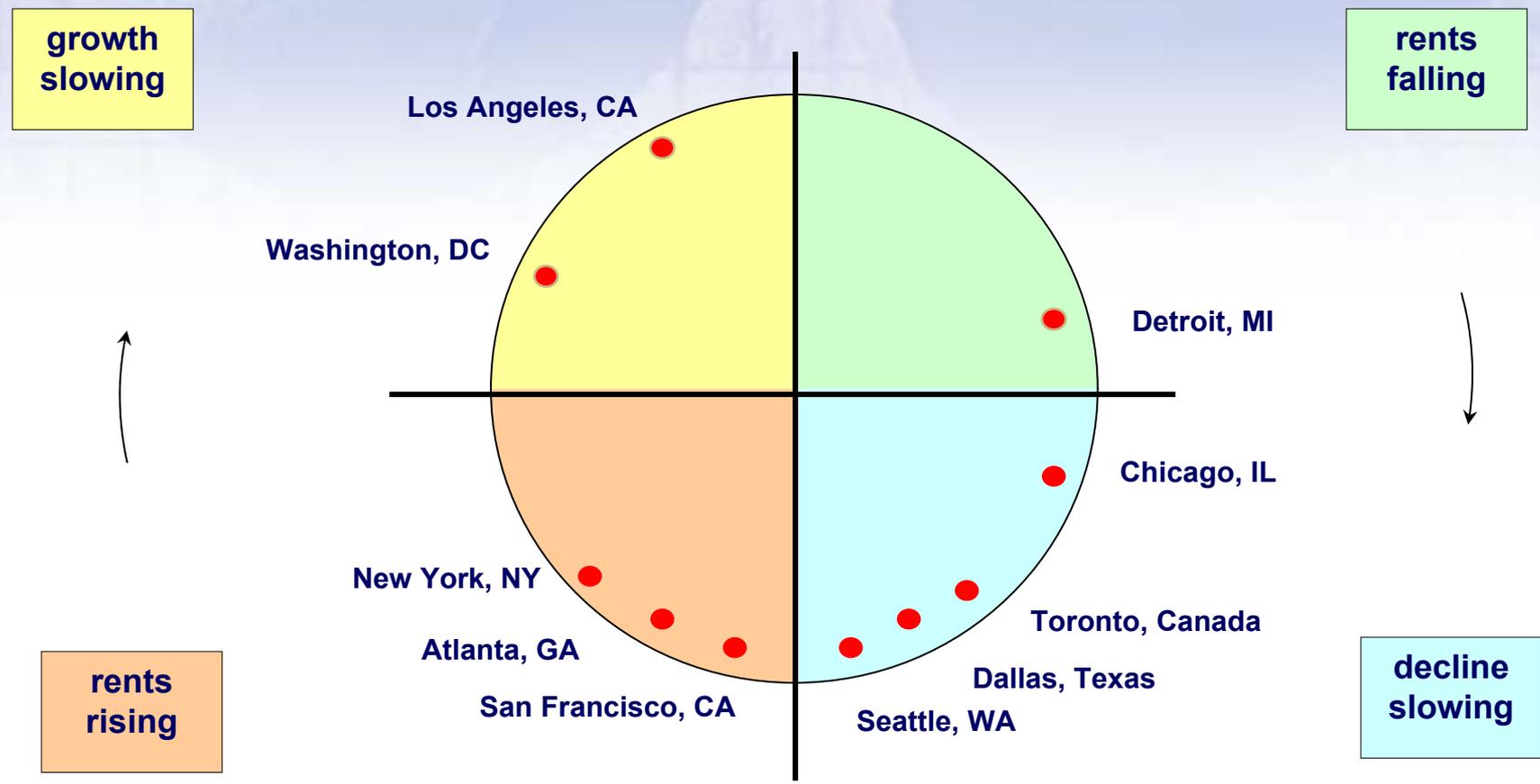
- I. Executive Summary**
- II. Accomplishments**
- III. Goals 2005**
- IV. Portfolio Highlights**
- V. Appendix**
- VI. Addenda – City Stacking Diagrams**

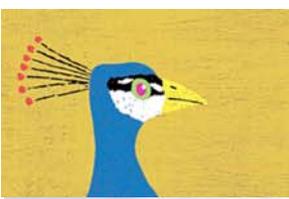


IV. Portfolio Highlights – North America Market Clock Third Quarter 2004

North America
Year 2004

Graphic representation of real estate market trends in selected major Central Business Districts – North America





V. Appendix – *Table of Contents*



North America
Year 2004

Appendix	Page
Summary of Portfolio Statistics	21
Profile of Business Unit Occupancy	22
Latin/South America Portfolio	23
Capital Expenditure North America 2005 - 2007	24

WPP Group Real Estate *Alignment Review*®



The *Alignment Review*® is a powerful tool to rapidly surface, evaluate and implement real estate and business initiatives with measurable results.

Advance Planning

Phase I. Basis of Understanding

Project Initiation Data Gathering Team Interviews

March-April

Welcome Overview Business/Real Estate Interview Report-Out Real Estate Operations Summary Discussion

May (one-day session)

Phase II. Knowledge Transfer

Phase III. Implementation

Prioritization Matrix Identify Initiatives Impact Assessment

June (one-day session)

Develop Action Plans Evaluate Action Plans Report Action Plans Implementation

July

August (ongoing)

Phase I & II

- Key Drivers
- What is important
- Alternatives/Options
- Planning Approach
- Tools & Techniques
- Methodology
- Context
- Project Profile
- Initiatives/Opportunities

Phase III

- Specific Actions
- Change Management
- Operational Agenda
Implementation
Transactions
Service Delivery
Performance Measures
- Capital Expenditures
Financial Criteria
Investment Level
- Best Practices/Benchmarking

Key Benefits

- More flexible and adept organization
- Strengthens collaborative relationships
- Creates a common language and shared understanding for participants
- Establishes a baseline from which performance improvement can be measured
- Prioritizes real estate and business initiatives insuring effective resource allocation
- Provides depth of knowledge essential to proactively enhance core business objectives

O&M Culver City: The Warehouse with the WOW Factor



- Award Winning Design
- O&M moved from several floors in a bland office block to a Culver City warehouse
- A dramatic design in an open plan environment revolutionised the office layout
- The bold architecture generates a collective "buzz" which everyone, including clients, can experience as they walk through the space



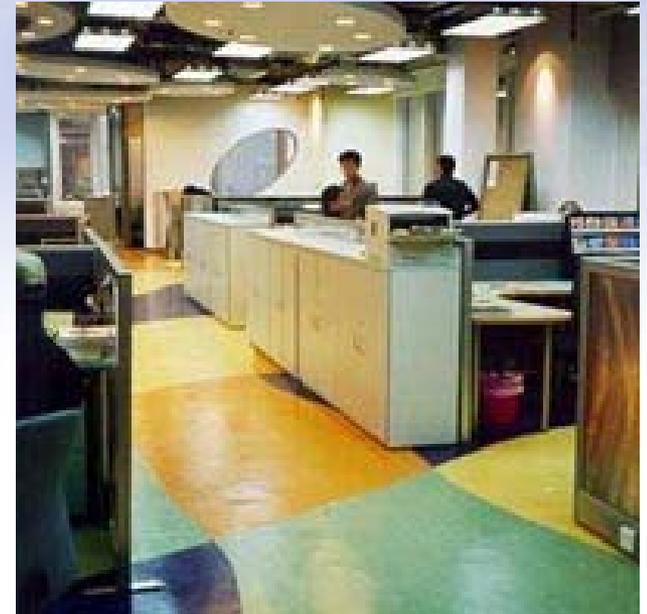
JWT Milan: Traditional Architecture Meets Hi-tech



- Conversion of an old mill provided a distinctive, stylish new location for JWT to co-locate with Hill & Knowlton
- Fully open plan layout facilitates communication and integration
- Defined zones created for client teams and specific agency functions



JWT Shanghai: Energizing the Space



- JWT created an office environment to free up thinking across the whole workforce
- The office's focal point is the creative area where the overall design concept increases in intensity
- Custom-made workstations within the open plan space are easily reconfigured to adapt to changing requirements

JWT Rio de Janeiro



Paul Richardson's Office, London: The Working Wall



Private Office Mode



Conference Room Mode

Case Studies



HONDURAS

LONDONDERRY, NI

Lambert, Smith Hampton

ARGENTINA, BA

Cash purchase

Pay roll

KINGSTON, ONTARIO

Portfolio Optimization: Comparative Journeys

WPP Group USA, Inc.



WPP



Portfolio Optimization: Comparative Journeys

Bank of America
NELSON



NELSON

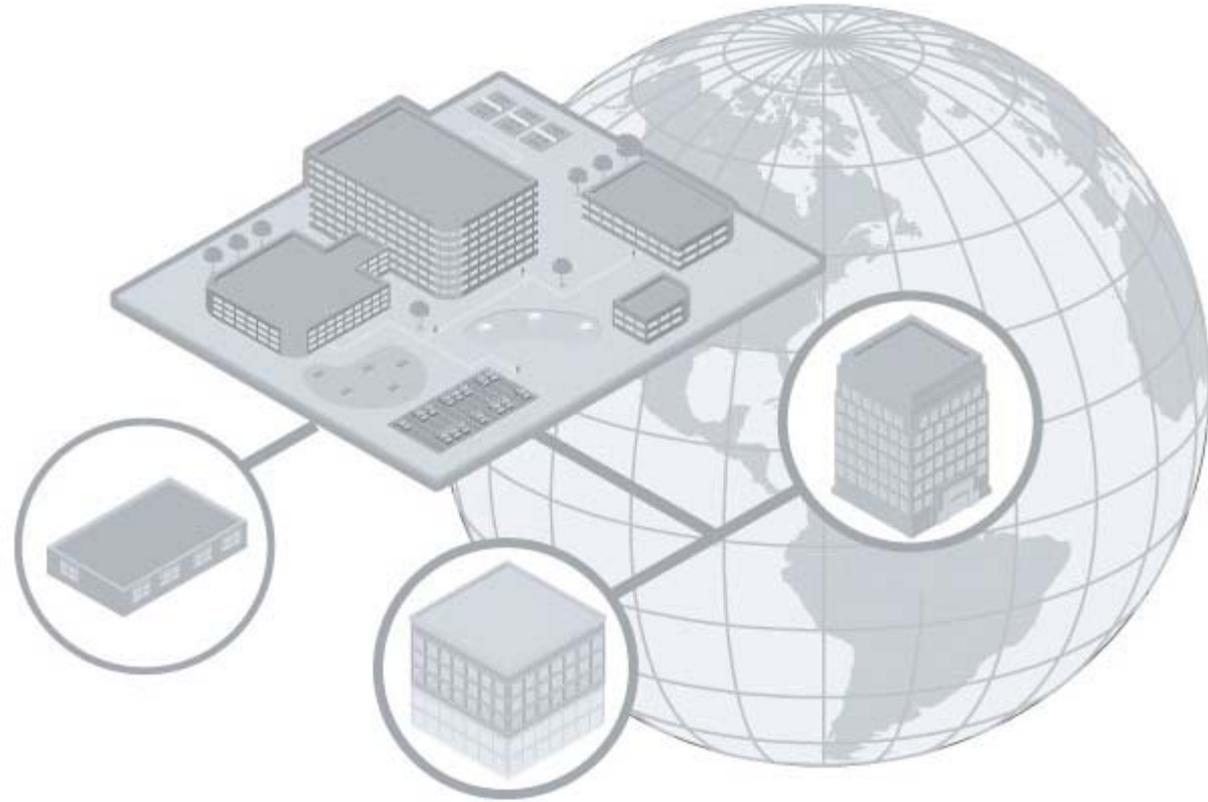
Bank of America  **Higher Standards**



Portfolio Optimization Strategies

Applying Six Sigma Principles to an Efficient Real Estate Portfolio

April 18, 2005



Presented by:

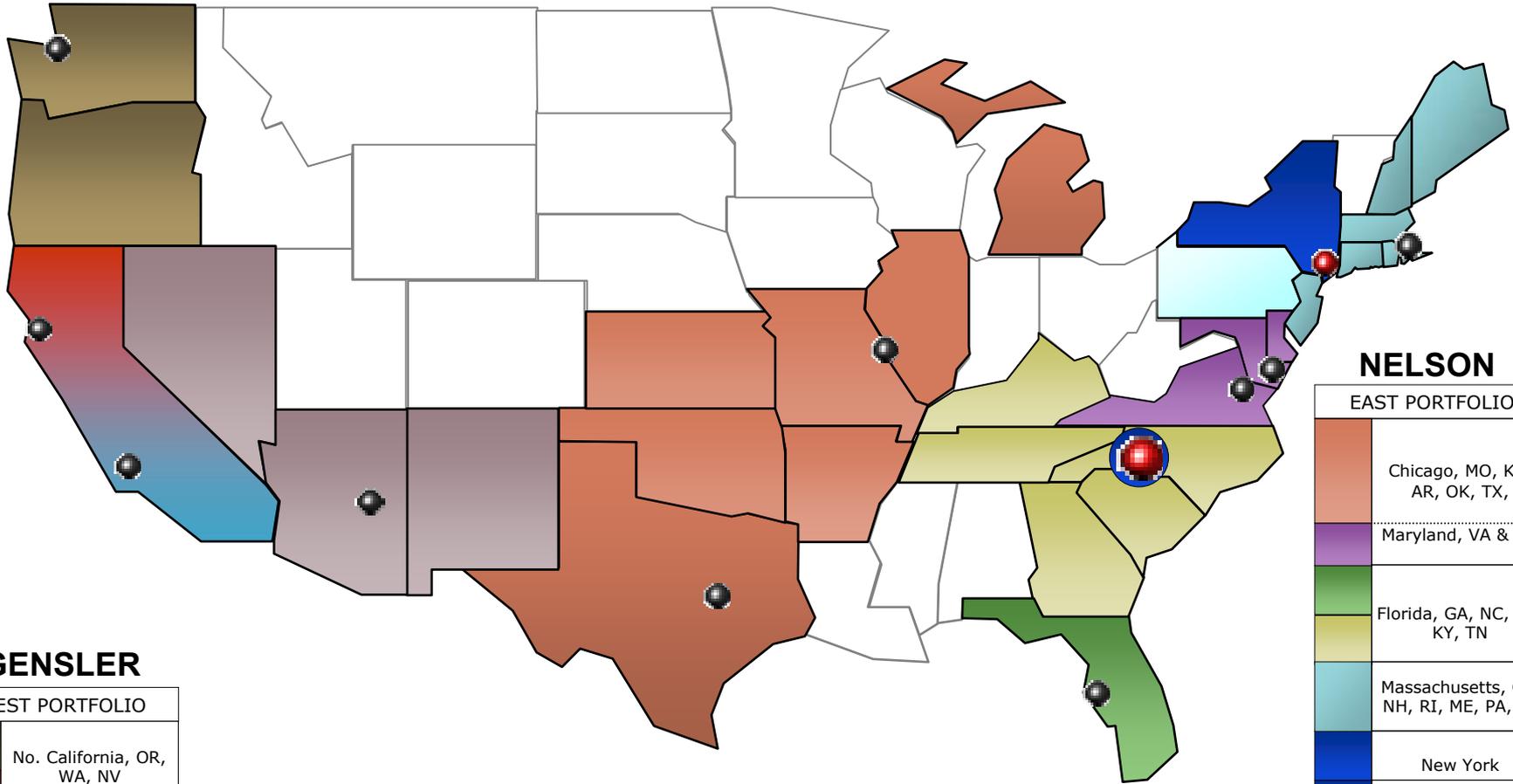
Julia Wilson

Senior Vice President, Bank of America, Charlotte, NC

Amit Ramani

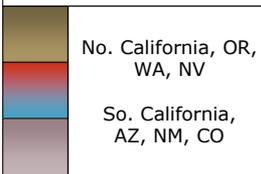
Regional Executive, NELSON, Charlotte, NC

Bank of America - Corporate Workplace Geographic Profile



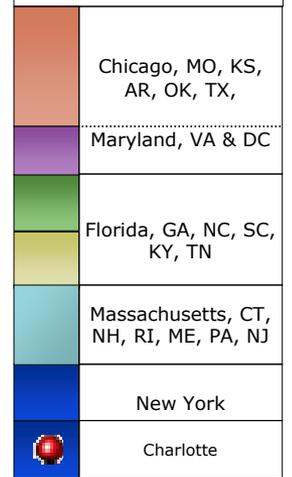
GENSLER

WEST PORTFOLIO



NELSON

EAST PORTFOLIO

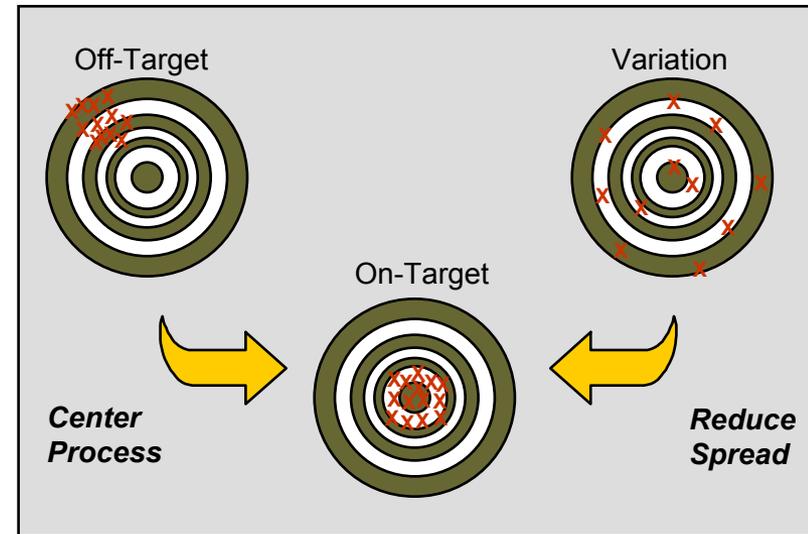


- In-Market Strategies are focused on improving building utilization and driven by “time based” rather than “event based” planning
- Target utilization at 96% across markets
- Align sites / buildings and functional groups: customer/non-customer facing Line Of Business’s (LOB)
- Identify LOB users or sub-sets of the business that are vary in space requirements and capital investments
- Identify long term “anchor” sites or buildings vs. short term
- Invest in highest and best use of technology capable buildings



Brief Overview of Six Sigma Methodology

- **Statistical term** – Six Sigma refers to a process that produces only 3.4 defects out of every million opportunities.
- **Strategy** – It sets the vision for achieving Six Sigma levels of quality in key products, processes and services.
- **Six Sigma Focus** – In the most basic terms, Six Sigma methodology identifies processes that are off-target, and/or have a high degree of variation, and corrects the process.



Define

Who are the customers & what are their priorities?

Measure

How is the process performing?

Analyze

What are the most important causes of defects?

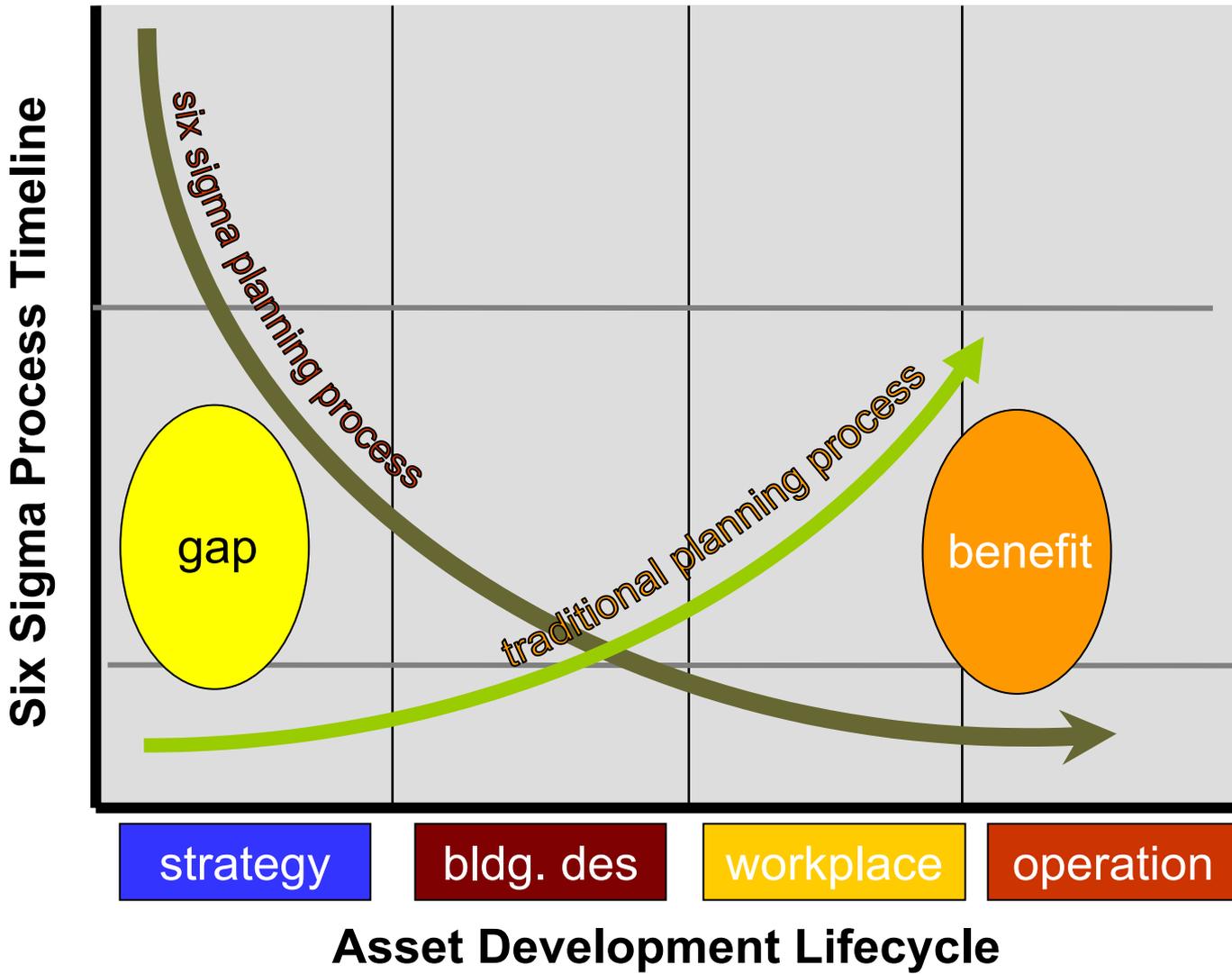
Improve

How do we remove the causes of defects?

Control

How can we maintain the improvements?

Six Sigma Planning Process



Portfolio Optimization using Six Sigma Methodology

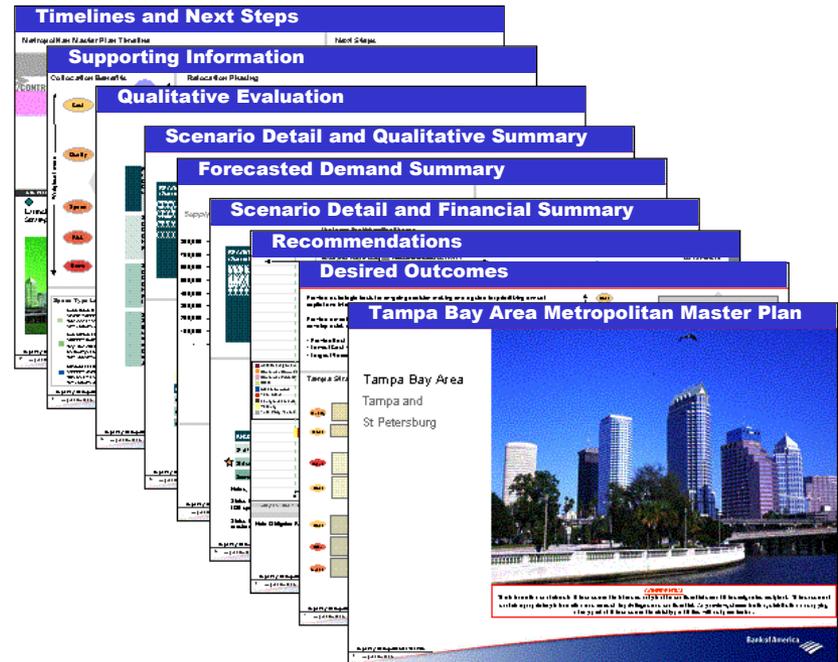


Regional Planning: Structure and Activity

Within a Geographic Location



Structure of Regional Plans



Ongoing Annual - Regional Planning Process Timeline



Quarter 1 - Refresh

- Review plans for consistency
- Review supply/demand goals
- Validate with LOB/CW Exec
- If plan meets current objective – no further work
- If changes occur – analyze/ evaluate additional scenarios
- Identify short/ long term projects
- Team approval
- Presentation package complete

Quarter 2 - 2005 Budget

- Review/ approval CW Sr. Management
- Prepare 2005 project budget
- Prepare/ Update current Space Library information

Quarter 3 - Profit Plan

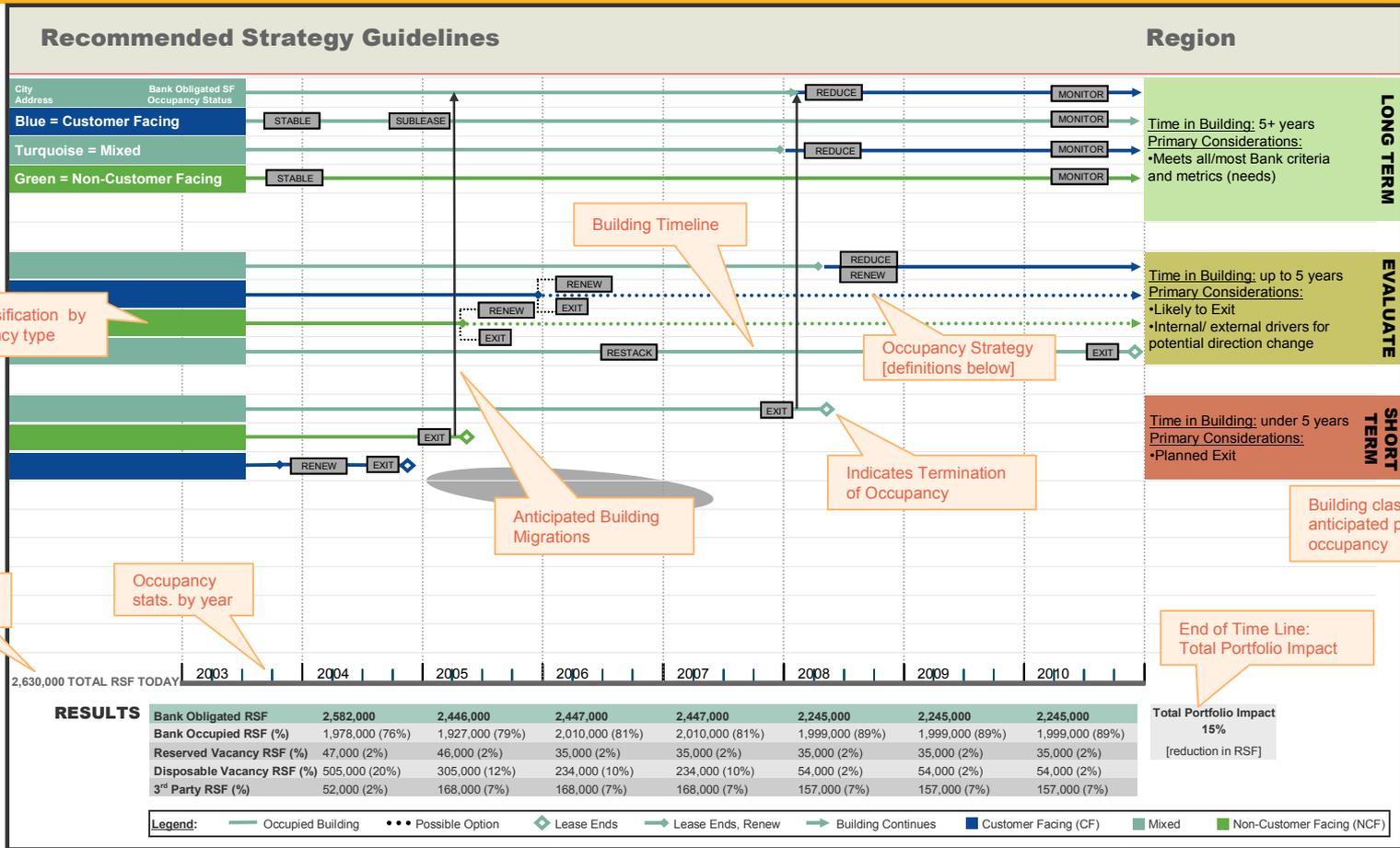
- Incorporate 2005 project budget into plan Sr. Management
- Provide forecasted 2005 stack plans

Quarter 4 - Monitor

- Plan submitted
- Modify if required
- Plan approved
- Begin baseline supply/ demand and market data collection



Plan Summary: format and descriptions



Occupation Strategy Definitions

Stable

Long Term keeper site, internal movement/restack only, constant, steady, not likely to change.

Monitor

Unknown forces or drivers of change can occur to impact direction/ utilization.

Restack

Redistribute, move, consolidate LOBs (occurs before backfilling).

Backfill

Planned movement of LOBs into vacant or vacated space.

Optimize

Most favorable/appropriate use of a location, building or workplace.

Analyze

Examine in detail, investigate or gather more details- this is the activity behind the scenes.

Evaluate

Judge the worth or longevity quality, appraise/ assess LOB's needs and make a judgment or decision.

Dispose

Elimination of space through sublease, lease, cancellation, giveback or sale.

Reduce

Partial disposition of space.

Vacated

No Bank FTE currently in building.

Renew

To reestablish lease or extend lease.

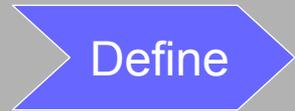
Exit

Leave entirely at lease expiration or disposal; the action of moving out.

Sublease/ Lease

Dispose of space to outside or 3rd party tenant already identified.

Regional Planning Process – Refresh Process



Launch

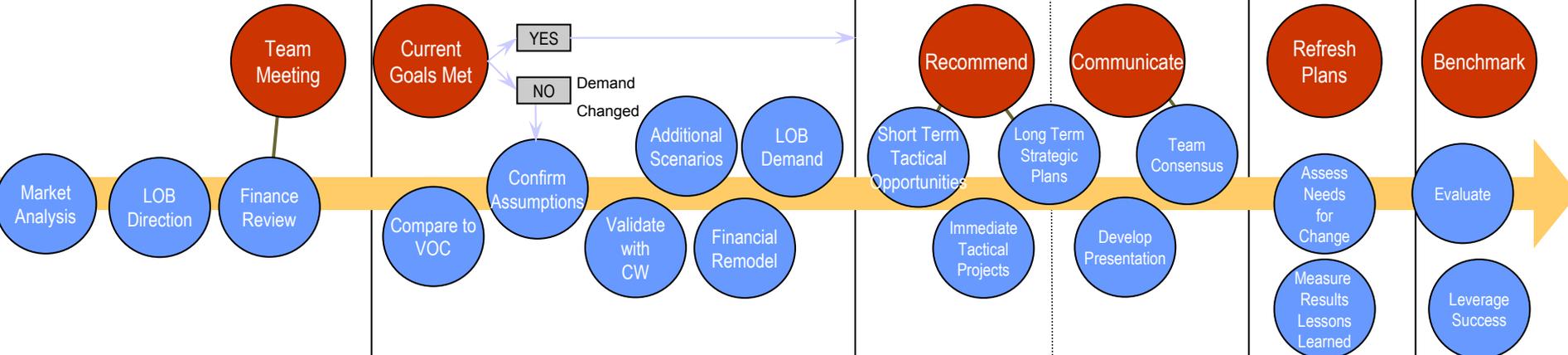
Discover & Assess

Develop

Implement

Revise

Monitor



PARTICIPANTS

CW – Portfolio, Finance, and A&D
 Planning Partner
 Facility Partner – Portfolio, PM and A&D

Planning Partner
 Technology Partner
 Facility Partner – Portfolio, PM and A&D

Planning Partner
 Technology Partner
 Facility Partner – Portfolio, PM and A&D

Planning Partner

LOB & Workplace Team

DELIVERABLES

Market Report
 Roles

Revised Programming
 Qualitative Surveys
 Financial Model

Communication Matrix
 Calendar

Strategic Timeline

Refreshed Strategic Plans

Benchmark



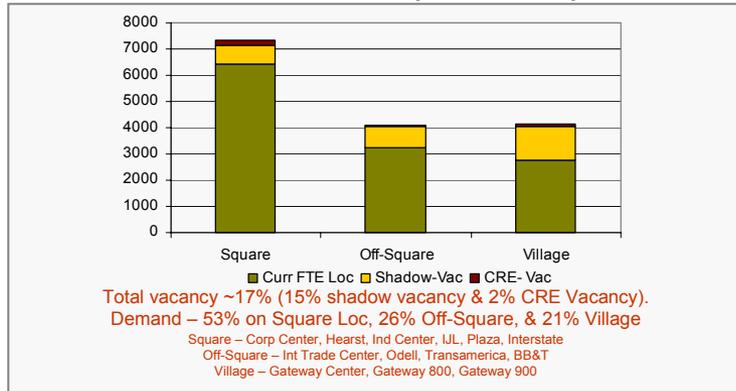
Additional Six Sigma Based Approaches to Planning

Problem Statement

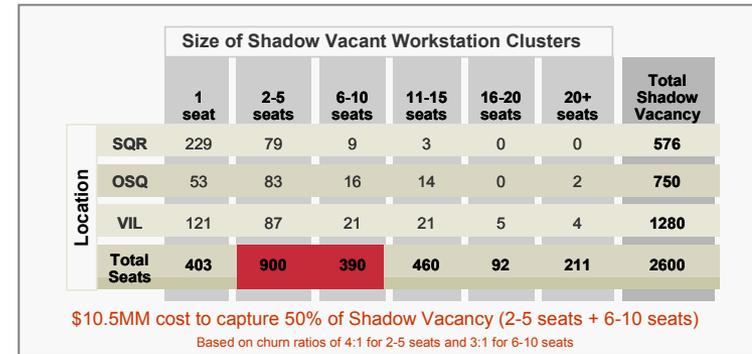
Rationalize the utilization of space in Charlotte to optimize cost, reduce vacancy, and increase LOB and associate satisfaction

Metrics / Drivers

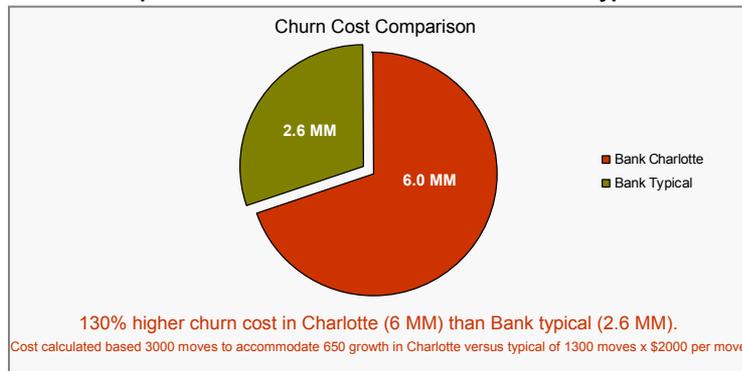
Current FTE Location and Vacancy information by Location



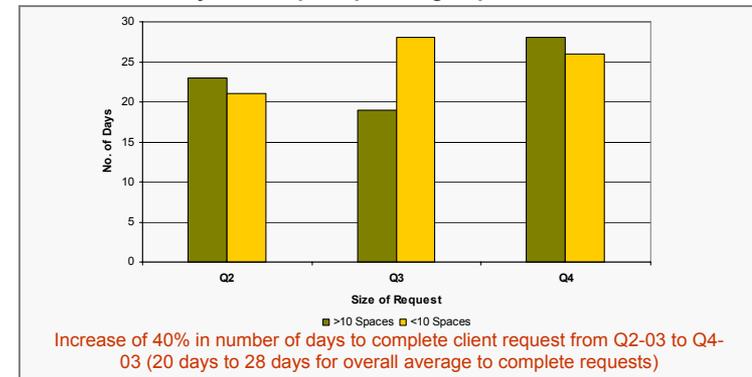
Shadow Vacancy in HQ Portfolio by Location



Comparison of Churn Cost – Charlotte vs. Bank Typical



No of Days to complete planning requests in Charlotte

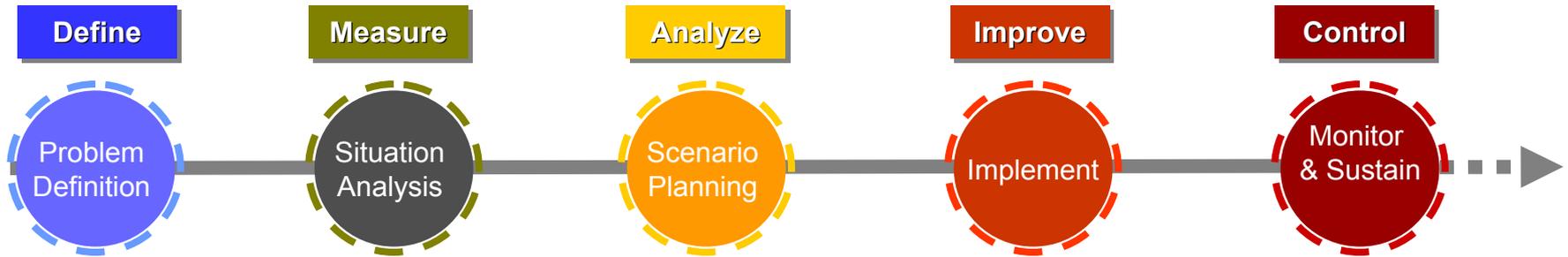


ROOT CAUSE	COUNTER MEASURES
Under utilization of shadow vacancy	<ul style="list-style-type: none"> Develop guiding principles that provide CRE basis for capturing shadow vacancy. Reevaluate the current vacancy policy and create a cost allocation structure that supports efficient utilization of shadow vacancy.
Lack of Corporate Workplace access to, control and disposal of shadow vacancy	<ul style="list-style-type: none"> Determine the right amount of shadow vacancy held by each LOB. Develop process that incents LOBs and provides basis for capturing shadow vacancy Capital pool for de-fragmentation

ROOT CAUSE	COUNTER MEASURES
Misalignment of LOB's in Charlotte buildings	<ul style="list-style-type: none"> Determine guidelines to support right fit between LOB's & Buildings Align LOB's based on functional profile
Corporate Culture promotes location •in Charlotte •and 'on the square' buildings	<p>Corporate driven cultural 'shift':</p> <ul style="list-style-type: none"> Promote dispersed location management within and beyond Charlotte, manage to associate performance vs. relationship based structure and improve & utilize technology based collaboration tools

Additional Six Sigma Based Approaches to Planning

Defrag™ Initiative and Office/Band Re-alignment [OBR] Process



- Establish value proposition
- Establish Project Context
- Define Project Vision
- Voice of the Customer

- Conduct a demand and supply gap analysis
- Develop a preliminary Plan
- Project implementation process
- Outline LOB impacts
- Project Funding
- Team assembly

- Develop scenarios that respond to LOB objectives and project goals
- Identify priority areas for change management
- Detailed cost – benefit and SVA analysis to evaluate scenarios

- Document detailed project plan
- Implement a communication plan
- Share the stack and migration plans with LOB's
- Defrag and Realign associates

- Post-occupancy evaluation of pilot to document lessons learned
- Incorporate into revised scenario planning and project plan
- Develop a portfolio extrapolation strategy
- Sustain and control fragmentation

Results for Charlotte Region

Customer

- Enhanced Brand Message
- Increase Customer alignment/revenue opportunities

Associate

- Increase Associate Satisfaction
 - 94% customer satisfaction for 2003-2004

Shareholder

- Reduce Vacancy and Occupancy Expense
 - 4% space reduction in the Charlotte portfolio for 2004
 - 15-20% efficiency gained in the first pilot location
 - Current initiatives to have an savings of \$4.8MM and cost avoidance of \$3.2MM/year
- Estimated SVA impact \$3.7MM
- Increase Flexibility
- Increase Business Continuity

Portfolio Optimization: Comparative Journeys

Bank of America
NELSON



TORONTO
17-20 APRIL 2005

NELSON

Bank of America  Higher Standards


CORENET
G L O B A L
CORPORATE REAL ESTATE NETWORK

Program # 3

Portfolio Optimization: Comparative Journeys

Q & A